



To: House Committee on Natural Resources Republican Members
From: Republican Committee Staff; Ken Degenfelder
(Ken.Degenfelder@mail.house.gov)
Date: Monday, March 22, 2021
Subject: Oversight Hearing titled “How the Biden Administration’s Build Back Better Plan Can Benefit the U.S. Territories”

The Committee on Natural Resources will hold a full committee oversight hearing titled “How the Biden Administration’s Build Back Better Plan Can Benefit the U.S. Territories” on Wednesday, March 24, 2021, at 10:00am EST online via Cisco WebEx.

Member offices are requested to notify Ken Degenfelder by 4:30pm EST on Monday, March 22, 2021, if their Member intends to participate. Submissions for the hearing record must be submitted through the Committee’s electronic repository at HNRCDocs@mail.house.gov. Please contact David DeMarco (David.DeMarco@mail.house.gov) or Everett Winnick (Everett.Winnick@mail.house.gov) should any technical difficulties arise.

I. KEY MESSAGES

- President Biden’s “Build Back Better” plan does not specifically highlight the U.S. Insular areas; however, the plan’s details support mandating an energy transition on the Islands away from conventional energy sources.
- Costly, duplicative, and burdensome climate policies will limit available energy options to the Insular areas and further erode self-determination.
- Global emissions reduction can be done more effectively through innovation and the free market.
- While this oversight hearing focuses on the general topic of infrastructure and the federal budget needs of the U.S. Insular areas, future legislative initiatives on this topic within the Committee’s jurisdiction should go through regular order.

II. INVITED WITNESSES

- **The Honorable Lemanu Palepoi Mauga**, Governor, American Samoa, Pago Pago, AS



- **The Honorable Pedro Pierluisi**, Governor, Puerto Rico, San Juan, PR
- **The Honorable Ralph DLG Torres**, Governor, Commonwealth of the Northern Mariana Islands, Saipan, MP
- **The Honorable Lourdes Aflague Leon Guerrero**, Governor, Guam
- **The Honorable Albert Bryan Jr.**, Governor, U.S. Virgin Islands, St. Thomas, VI

III. BACKGROUND

Build Back Better

During his campaign, President Joe Biden released his “[Build Back Better](#)” plan which, among other issues, focused on clean energy, infrastructure improvements, and environmental justice. While Biden’s “Build Back Better” plan specifically includes proposals such as spending billions of taxpayer dollars to build a modern infrastructure, invest in energy efficient buildings, establish a “Civilian Climate Corps” to protect and restore coastal ecosystems and reefs,¹ there is no direct reference to the U.S. territories of American Samoa, Commonwealth of the Marianas, Guam, Puerto Rico and the U.S. Virgin Islands.

This hearing will highlight some of the policies the Democrat majority believes should be included in any future infrastructure legislation, using the “Build Back Better” plan as a guiding theme. Examples of policies impacting the U.S. Territories include coastal disaster risk reduction activities, coral reef mitigation efforts, and energy efficiency and renewable energy mandates. In addition to a discussion about how the President’s plan will include the Insular areas, this hearing will also serve as an opportunity for Island governors to discuss the fiscal year (FY) 2022 budget request for Office of Insular Affairs’ (OIA), which has yet to be released.

The committee majority staff has indicated that the intent of this hearing is to ensure that any infrastructure package developed by Congress provides U.S. territory eligibility. While many of the needs of the U.S. territories fall outside of the committee’s jurisdiction, the following sections provide background on the most prominent infrastructure issues in the Insular Areas that would tie into the Build Back Better proposal and that fall under the committee’s jurisdiction.

Prior Democrat Legislative Action

This hearing follows action from the Democrat majority in this Congress and the previous Congress, when the House Natural Resources Committee considered several bills which promoted many of the ideas highlighted in the “Build Back Better” plan. On

¹ <https://joebiden.com/clean-energy/>

March 4, 2021, Natural Resources Committee Chair Raul Grijalva held a hearing² on his draft legislation “H.R.____, Insular Area Climate Change Act.”³ Some Democrat Members and witnesses will likely discuss the bill’s provisions.

This proposal would authorize more than \$150 million for climate change related grants and increase the size of the federal government. The proposal would also mandate the use of solar, wind, hydroelectric, geothermal, and ocean energy, rather than allowing the territories the autonomy to choose the most reliable and affordable energy sources available that meet their energy needs. As Committee Republicans highlighted during previous hearings, the proven reliability of liquefied natural gas (LNG), nuclear, biomass, and other options should not be ignored, especially by territories prone to severe weather and unstable electricity transmission infrastructure.

Efforts by several of the U.S. Territories to transform their electric power grids have been under way for many years.⁴ OIA was appropriated \$8.5 million for FY 2021 to implement energy plans and carry out high-priority projects, especially those which boost energy security and infrastructure resiliency. Expected areas of emphasis include power transmission, generation capacity, micro-grids, utility-scale and distributed solar energy generation, consumer efficiency, integrated resource planning, and electrical grid integration studies.⁵

In contrast to the Democrats’ strategy of increased spending and expansion of the federal bureaucracy, Republicans are focused on promoting territorial self-determination and decreasing duplicative and burdensome regulations. More work can be done to improve existing programs and functions that support resiliency in Insular Areas to support the individual needs of each U.S. territory, promote innovation in their energy sectors and embrace an all of the above approach to meet their energy needs.

Capital Improvement Project Grants

OIA currently provides funding to the U.S. Territories through Capital Improvement Project (CIP) grants. CIP funds address a variety of critical infrastructure needs in the U.S. territories including hospitals, schools, wastewater and solid waste systems. Improvements to this infrastructure not only benefits the current population and businesses, but also lay the groundwork to attract new investment in the territories, thereby promoting economic development and self-sufficiency.⁶

In 2005, OIA implemented a competitive allocation system for the \$27.7 million in CIP grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. The determination of the annual allocation is made on the basis of a set of

² <https://naturalresources.house.gov/hearings/discussion-on-the-insular-area-climate-change-act>

³ https://republicans-naturalresources.house.gov/uploadedfiles/hearing_memo.pdf

⁴ Budget Justifications and Performance Information, Fiscal Year 2018, Office of Insular Affairs. The United States Department of the Interior. P 62 <https://www.doi.gov/sites/doi.gov/files/uploads/oia-2021-greenbook-final.pdf>

⁵ Id. at 61.

⁶ Id. at 21.

competitive criteria that measure the demonstrated ability of the governments to exercise prudent financial management practices and to meet Federal grant requirements.⁷

Many of the U.S. territories believe the CIP program is one of the most successful federal programs for infrastructure projects and has had a significant impact on quality of life in the territories.⁸ This competitive grant program provides accountability by ensuring a territorial government that receives funding is in compliance with generally accepted financial auditing practices, and is also in compliance with statutes and regulations regarding procurement practices and processes. It is unclear whether the majority intends to include increased CIP funding but funding infrastructure through this program may be the only way to ensure there is accountability and transparency, something republicans on the committee would likely support.

Public Health Infrastructure and Workforce

The “Build Back Better” plan also seeks to spend \$450 billion over ten years to “eliminate the current waitlist for home and community services under Medicaid,”⁹ and “establish a long-term services and supports innovation fund to help expand home and community based alternatives to institutional care.”¹⁰ The plan also seeks to create a “Public Health Job Corps” which would mobilize at least 100,000 employees to some of the most at risk communities.¹¹

In American Samoa, the Lyndon B. Johnson (LBJ) Tropical Medical Center¹² is a 150-bed hospital facility and the only hospital serving the South Pacific territory of American Samoa. The LBJ Tropical Medical Center, which provides medical care for the approximately 55,000 residents of the territory, is located on the main island of Tutuila and is the only hospital serving the neighboring islands of Aunu’u, the Manu’a islands, Rose Atoll and Swains Island.¹³

The hospital is funded primarily through grants provided to the American Samoan government by OIA. Staffing the hospital has been historically challenging and the hospital is in dire condition due to lack of adequate funding and deferred infrastructure maintenance. Due to multiple geographic and economic factors, American Samoa has been consistently challenged when it comes to providing basic needs and services in healthcare, more so than the other territories.

In recognition of this disparity, Congress enacted legislation in 1996 to expand CIP funding eligibility to include American Samoa, Guam, and the U.S. Virgin Islands. As part of that legislation, Congress directed a portion of mandatory CIP funds to be used for

⁷ Id. at 22.

⁸ <https://docs.house.gov/meetings/II/II00/20200211/110488/HHRG-116-II00-Wstate-PalaciosA-20200211.pdf>

⁹ <https://joebiden.com/caregiving/>

¹⁰ Id.

¹¹ Id.

¹² Named after the 36th President of the United States, President Johnson is still the only US President to have visited America’s only South Pacific territory while in office.

¹³ <https://lbjtmc.org/sample-page/>

critical infrastructure in American Samoa and the development of a multi-year capital improvement plan. For FY 2021 OIA requested \$10.3 million in CIP Grants to the Government of American Samoa for projects designated by the Capital Improvement Master Plan.¹⁴

Hospital administrators have expressed their concern that poor conditions at the hospital have created a major issue for the island's veteran population seeking medical care. There is currently only one small Veterans Affairs (VA) outpatient clinic located in American Samoa and it is unable to provide substantial healthcare services that the island veterans require.¹⁵ Since the conditions at LBJ hospital do not meet the standards of care issued by the VA, veterans requiring healthcare procedures and treatment are forced to fly to the nearest VA healthcare facility located 2,611 miles to the northeast in Honolulu. The lack of frequent flights from Hawaii to the territory only exacerbates the issue for both the VA and the veterans seeking treatment. The VA is paying the cost of flying veterans from the territory to Hawaii to receive treatment. These trips can turn into weeklong stays in Hawaii, which increases the cost of care for the VA while also incurring costly out of pocket expenses by the patient.

Plan for Recovery, Renewal and Respect for Puerto Rico

Separately but related to the Build Back Better plan, the then Biden campaign released "the Plan for Recovery, Renewal and Respect for Puerto Rico."¹⁶ This plan specifically includes proposals to "...ensure Puerto Rico infrastructure and coastal habitats are rebuilt in ways that increase their capacity and resiliency to withstand any future storms."¹⁷ It also includes a proposal to "strengthen and improve Puerto Rico's power system" by modernizing the Puerto Rico Electric Power Authority (PREPA) power generation, transmission, and distribution through infrastructure investment.¹⁸

In recent years, PREPA has come under renewed scrutiny¹⁹ for its 2019 Integrated Resources Plan (IRP)²⁰ that relied too heavily on natural gas-fired generation. Critics of the IRP claim PREPA will be unable to completely transfer to renewable energy generation by 2050 under the current IRP.

¹⁴ Budget Justifications and Performance Information, Fiscal Year 2018, Office of Insular Affairs. The United States Department of the Interior. P 27. <https://www.doi.gov/sites/doi.gov/files/uploads/oia-2021-greenbook-final.pdf>

¹⁵ <https://www.govinfo.gov/content/pkg/CHRG-115hhrg26408/pdf/CHRG-115hhrg26408.pdf> at 17.

¹⁶ <https://joebiden.com/the-biden-harris-plan-for-recovery-renewal-and-respect-for-puerto-rico/>

¹⁷ Id.

¹⁸ Id.

¹⁹ See "Over reliance on gas in PREPA IRP jeopardizes Puerto Rico's 100% clean energy goals, group says" available at <https://www.utilitydive.com/news/over-reliance-on-gas-in-prepa-irp-jeopardizes-puerto-ricos-100-clean-ener/573912/>

²⁰ An IRP is a utility plan for meeting forecasted annual peak and energy demand, plus some established reserve margin, through a combination of supply-side and demand-side resources over a specified future period. See "Best Practices in Eclectic Utility Integrated Resource Planning; Examples of State Regulations and Recent Utility Plans" available at <https://www.raponline.org/wp-content/uploads/2016/05/rapsynapse-wilsonbiewald-bestpracticesinirp-2013-jun-21.pdf>

In July 2020, PREPA and private power consortium LUMA²¹ finalized a new transmission and distribution (T&D) deal for the island that will run until at least 2035. The contract, underwent multiple levels of review, eventually being approved by Puerto Rico’s Fiscal Agency and Financial Advisory Authority, Public-Private Partnerships Authority, and the Puerto Rico Energy Bureau (PREB). The government of Puerto Rico is hopeful this deal can help the utility finally begin to provide more reliable service for the island.

The Committee supports responsible proposals which aid in the modernization and invest in the rebuilding of the PREPA grid and recover from the impacts of hurricanes Irma and Maria. However, the Committee opposes any legislative proposals which mandate PREPA’s reliance on one energy source. Any such legislation must go through regular order in Congress.

FY 2022 Office of Insular Affairs Budget

Since the President’s FY 2022 budget has not been submitted to Congress, this memo will examine the FY2021 requested and enacted figures.

Office of Insular Affairs (OIA)

FY2020 Enacted	\$111.34 million
FY2021 Request	\$89.12 million
FY2021 Enacted	\$115.16 million

OIA is charged with carrying out all duties and responsibilities of the Secretary of the Interior regarding the U.S. territories and the Freely Associated States (FAS).²²

The current discretionary funds for OIA are composed of assistance to the territories of the United States and limited discretionary funding for Compact of Free Association related programs. Discretionary assistance provided in the FY 2021 budget to the territories was appropriated at \$115.16 million (increase of \$25.60 million from request), which supports the following primary budget items: American Samoa Operations (\$24.62 million); Capital Improvement Projects (\$27.72 million); Office of Insular Affairs (\$9.55 million); General Technical Assistance (\$21.80 million).²³

The total current mandatory Compact of Free Association²⁴ funding was \$8.46 million, an increase of \$354,000. The increase was provided in part to support the U.S. Postal Service mail delivery to the Freely Associated States and Palau’s single audit.²⁵

²¹ LUMA is an energy consortium comprised of Canadian firm ATCO and U.S.-based Quanta Services Inc. and Innovative Emergency Management Inc. (IEM)

²² Federated States of Micronesia, Republic of Palau and the Republic of the Marshall Islands.

²³ PL. 116-260 at 316.

²⁴ Compacts of Free Association provides grant money to: the Republic of Palau, Republic of the Marshall Islands, and the Federated States of Micronesia. Public Law 108-188 and Public Law 111-88.

²⁵ PL. 116-260 at 316.

The total permanent appropriated level for OIA is \$529.55 million which includes \$227.55 million in Compact of Free Association funding, which is distributed as follows²⁶:

- Marshall Islands (\$80.50 million, negligible decrease from request)
- Federated States of Micronesia (\$115.11 million, negligible decrease request)
- Compact Impact (\$30 million, no change from previous fiscal year)
- Judicial Training (\$373,000, negligible decrease)

The remaining \$302 million in mandatory appropriations are fiscal payments which reimburse the U.S. Virgin Islands for federal excise taxes collected on rum sales (\$224 million) and reimbursement to Guam for income taxes collected from federal employees and military personnel residing in Guam (\$78 million).²⁷

In general, the economic health of the territories is directly tied to their relative level of geographic isolation. Tourism plays a major economic role in most of the U.S. territories and freely associated states, and a strong continued military presence in Guam helps strengthen their local economy. However, territories rely heavily on the funding they receive from federal grants and OIA for their economic stability.

COVID-19

The economies of U.S. territories have been profoundly impacted by COVID-19. As mentioned, the islands rely heavily on tourism for revenue. With various travel restrictions and lockdowns on the islands, many businesses struggled to stay open.

Congress provided relief to the Insular areas in the Families First Coronavirus Response Act,²⁸ CARES Act,²⁹ and the Coronavirus Response and Relief Supplemental Appropriations Act.³⁰

The Families First Coronavirus Response Act increased Medicaid funding for the territories and lowered the territories' Medicaid match rate. Additional funding for SNAP and supplemental funding for the Islands that utilize block grant funding instead of the traditional SNAP was also included. The CARES Act allows all territories to participate in the Pandemic Unemployment Assistance program, regardless of whether they have unemployment insurance programs. In addition to financial assistance for governments, \$55 million was authorized as part of a Coronavirus Relief Fund for the territories.

²⁶ Id.

²⁷ Id.

²⁸ PL 116-123.

²⁹ PL 116-136.

³⁰ PL 116-260.
